

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04  
NSAE-00 SIL-01 DODE-00 PA-02 USIA-15 PRS-01 SP-02  
EURE-00 /052 W  
-----271514Z 082469 /56

P R 271346Z MAY 77  
FM AMEMBASSY STOCKHOLM  
TO SECSTATE WASHDC PRIORITY 705  
INFO AMEMBASSY BONN  
AMEMBASSY COPENHAGEN  
AMEMBASSY HELSINKI  
AMEMBASSY LONDON  
AMEMBASSY OSLO  
AMEMBASSY REYKJAVIK  
AMCONSUL GOTEBORG

UNCLAS STOCKHOLM 2269

E.O. 11652: N/A  
TAGS: ELAB, SW  
SUBJECT: NATIONAL CONTRACT NEGOTIATIONS: PEACE AT LAST

REF: STOCKHOLM 2175

1. SUMMARY. AFTER SEVEN MONTHS OF NEGOTIATIONS AND THE THREAT OF A GENERAL STRIKE, SWEDISH LABOR AND MANAGEMENT FINALLY REACHED AGREEMENT LATE ON MAY 26. THE NEW CONTRACT WILL BE COSTLY FOR SWEDISH INDUSTRY AND PROBABLY RESULT IN FURTHER DETERIORATION OF SWEDEN'S COMPETITIVE POSITION IN FOREIGN MARKETS. END SUMMARY.

2. LO (BLUE-COLLAR WORKERS), PTK (WHITE-COLLAR WORKERS) AND THE SWEDISH EMPLOYERS CONFEDERATION (SAF) ANNOUNCED JUST BEFORE 9:00 PM ON THURSDAY, MAY 26, THAT THEY HAD REACHED A SETTLEMENT ON A FRAMEWORK CONTRACT COVERING 1.3 MILLION WORKERS IN PRIVATE INDUSTRY. THE AGREEMENT CAME AFTER SEVEN MONTHS OF TALKS  
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AND SEVERAL FINAL WEEKS OF BEWILDERING MANEUVERS DURING WHICH THE COUNTRY SEEMED TO BE TEETERING ON THE EDGE OF A GENERAL STRIKE.

3. AS IT TURNED OUT, THERE WAS MORE SOUND THAN FURY IN THE SERIES OF MOUNTING THREATS AND COUNTER-THREATS WHICH CHARACTERIZED THE CLOSING PHASE OF THE NEGOTIATIONS. IT

SEEMED HARDLY CONCEIVABLE EVEN DURING THE MOMENTS OF GREATEST TENSION THAT SWEDEN'S RESPONSIBLE LABOR MOVEMENT WOULD DELIBERATELY TRY TO CRIPPLE AN ALREADY BADLY BELEAGUERED ECONOMY. HOWEVER, THE DANGER OF A MISSTEP OR MIS-CALCULATION WITH POSSIBLY DEVASTATING CONSEQUENCES WAS ALWAYS PRESENT AND LENT CONSIDERABLE DRAMA TO THE PROCEEDINGS. IN ANY CASE, THE SWEDISH PUBLIC HEAVED A SIGH OF RELIEF WHEN IT WAS ALL OVER AND, IF TRAFFIC CONDITIONS ON FRIDAY WERE ANY INDICATOR, MANY GOT AN EARLY START IN HEADING FOR THEIR SUMMER COTTAGES TO ENJOY THE LONG WHITSUNTIDE WEEKEND.

4. THE AGREEMENT WHICH IS OF ONE YEAR'S DURATION IS NOT A CHEAP ONE BY ANY STANDARD. ACCORDING TO A COMMONLY USED SET OF CALCULATIONS, ANNUAL LABOR COSTS FOR THE BLUE-COLLAR SECTOR WILL RISE BY ABOUT TEN PERCENT AND BY ABOUT ELEVEN PERCENT FOR WHITE-COLLAR WORKERS. THESE FIGURES INCLUDE A 6.9 PERCENT WAGE INCREASE FOR THE FORMER AND ABOUT THE SAME FOR THE LATTER PLUS HIGHER PAYROLL TAXES FOR SOCIAL BENEFITS. AN ADDITIONAL ONE PERCENT WILL BE FORTHCOMING IF CONSUMER PRICES GO UP BY MORE THAN 8.6 PERCENT BY AUGUST 1. NONETHELESS, IT IS QUITE LIKELY THAT SWEDISH WORKERS WILL EXPERIENCE A DECLINE IN REAL WAGES FOR THE FIRST TIME IN MANY YEARS.

5. BOTH THE EMBATTLED WHITE-COLLAR GROUP AND THE EMPLOYERS HAD TO MAKE SOME IMPORTANT CONCESSIONS. PTK SETTLED FOR 80 RATHER THAN 100 PERCENT OF BLUE-COLLAR WAGE DRIFT BUT DID GAIN HIGHER MINIMUM SALARIES FOR YOUNGER EMPLOYEES.

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SAF, ON THE OTHER HAND, GAVE UP ITS INSISTENCE ON A FLEXIBLE WORK WEEK AND A STRICTER HEALTH BENEFITS SYSTEM.

6. AT A PRESS CONFERENCE SHORTLY AFTER THE SETTLEMENT WAS ANNOUNCED, SAF CHAIRMAN CURT NICOLIN SAID NEW CONTRACT WILL BE EXTREMELY COSTLY FOR SWEDISH INDUSTRY AND FORCE SOME COMPANIES INTO BANKRUPTCY. HE SAID IT WILL ALSO RESULT IN ELIMINATION OF SOME 20,000 JOBS. PRESS COMMENT POINTED OUT THAT SWEDISH EXPORT INDUSTRIES ALREADY SUFFERING FROM A SERIOUS COMPETITIVE DISADVANTAGE BECAUSE OF HIGH LABOR COSTS WILL NOW FIND THE GOING EVEN HARDER.

PERRY

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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